

The CARES Act and Required Minimum Distributions (RMDs): Options for Certain Individuals

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The Coronavirus Aid, Relief, and Economic Security Act (CARES Act; P.L. 116-136) includes a provision that suspends Required Minimum Distributions (RMDs) from certain retirement accounts for 2020. Some individuals may have already taken this distribution prior to the enactment of the CARES Act; this Insight discusses an option that might be available to them.

Required Minimum Distributions

RMDs are annual withdrawals that individuals with certain retirement accounts [may be required to make](#) under specified conditions, such as after (1) reaching a certain age or (2) inheriting a retirement account. The RMD assures that tax-deferred retirement accounts established to provide income during retirement are not used as permanent tax shelters or as vehicles for transmitting wealth to beneficiaries. Failure to take the RMD results in a tax penalty equal to 50% of the amount that should have been distributed.

RMD rules apply to defined contribution (DC) accounts (such as 401(k), 403(b), and 457(b) accounts) and traditional Individual Retirement Accounts ([IRAs](#)). RMDs do not apply to [Roth IRAs](#), but do apply to [Designated Roth Accounts](#).

Calculating the RMD

The RMD for a year is calculated by dividing (1) the account balance at the end of the immediately preceding calendar year by (2) the distribution period provided in the applicable [Internal Revenue Service \(IRS\) Life Expectancy Table](#).

Individuals must take their first RMD by April 1 of the year following the year in which they turn age 72 (age 70½ for those who turned 70½ before January 1, 2020; the Setting Every Community Up for Retirement Enhancement Act of 2019 [SECURE Act, enacted as part of the Further Consolidated Appropriations Act, 2020, P.L. 116-94] increased the age after which RMDs must begin). Participants in employer-sponsored plans (other than individuals who own 5% or more of the company sponsoring the

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plan) who are still working past the age of 72 may delay distributions until April 1 following the year that they retire (if the plan allows) (see **Table 1**).

Table 1. Account Types and RMD Beginning Dates for Account Owners

Account Type	Account Owner Turns 70½ before January 1, 2020	Account Owner Turns 70½ on or after January 1, 2020
Defined contribution (DC) accounts, Traditional IRAs, Designated Roth Accounts	Take first RMD by April 1, 2020 ^a	Take first RMD by April 1 of the year following the year in which account owner turns 72 ^a
Roth IRAs	No RMDs	No RMDs

Source: CRS analysis.

Notes: The SECURE Act (enacted as part of the Further Consolidated Appropriations Act, 2020, P.L. 116-94) increased the age after which RMDs must begin. Certain beneficiaries with inherited accounts (including those who have inherited a Roth IRA) may have to take RMDs, see CRS In Focus IF11328, *Inherited or “Stretch” Individual Retirement Accounts (IRAs) and the SECURE Act*.

- a. Participants (other than individuals who own 5% or more of the company sponsoring the plan) in employer-sponsored plans who are still working past the age of 72 can delay distributions until April 1 following the year that they stop working (if the plan allows).

Certain beneficiaries with inherited accounts must take RMDs. Other beneficiaries have either 5 years or 10 years to deplete an inherited account but are not required to take distributions each year. See CRS In Focus IF11328, *Inherited or “Stretch” Individual Retirement Accounts (IRAs) and the SECURE Act*.

RMDs and Rollovers

In general, RMDs cannot be rolled over to another retirement plan, which means that they are not *eligible rollover distributions*. An eligible rollover distribution is a distribution that can be transferred from one eligible retirement plan to another. In a 60-day rollover, an individual receives a distribution and then transfers part or all of the distribution to another retirement plan within 60 days. Rollovers do not count toward contribution limits. RMDs are subject to [10% tax withholding rules](#); eligible rollover distributions are subject to [20% withholding rates](#).

Suspension of 2020 RMDs

Section 2203 of the CARES Act suspended RMDs for 2020. A special rule applied the RMD suspension to individuals taking their first RMD from January 1, 2020, to April 1, 2020.

Rollover Option for Certain Individuals Who Have Already Taken Their 2020 “RMDs”

The CARES Act was enacted March 27, 2020, after some individuals may have already taken their 2020 RMDs. These distributions are no longer considered RMDs and may be eligible rollover distributions that could be rolled over to a plan that accepts rollover contributions. Section 2203 specified that distributions that otherwise would have been RMDs are not subject to eligible rollover distribution tax withholding rates, but they remain subject to 10% withholding rules. Note that beneficiaries with inherited accounts cannot roll over distributions.

Individuals who received distributions earlier in the year may have missed the 60-day rollover deadline. On April 6, 2020, [IRS Notice 2020-23](#) extended until July 15 the due date for any tax deadline that falls from April 1 to May 15. Under this guidance, withdrawals taken from February 1, 2020, to May 15, 2020,

must be rolled over by July 15, 2020. Withdrawals that occurred prior to February 1, 2020, may not be eligible to be rolled over because the 60-day rollover deadline was prior to April 1, 2020.

Although an individual can [request a waiver](#) of the 60-day rollover requirement from IRS, a \$10,000 user fee must accompany every request. The CARES Act did not contain a provision for these individuals to recontribute distributions already received in 2020.

IRAs are also subject to a “one rollover per year rule.” This rule applies to 60-day rollovers. Individuals are only allowed to roll over amounts from one IRA to another IRA once in a 12-month period (though the rule does not apply to conversions from traditional to Roth IRAs). If individuals already did one such rollover in the past 12 months, then they could not roll over the received “RMD” to an IRA.

For more information on the other retirement provisions contained in the CARES Act, see CRS In Focus IF11482, *Retirement and Pension Provisions in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)*.

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